

Mr. Dennis Lofe, Chief Executive Officer  
Wilson Group  
116 Cashua Drive  
Darlington, South Carolina 29532

Re: AC# 3-MEP-J7 – Medford Place

Dear Mr. Lofe:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**MEDFORD PLACE  
DARLINGTON, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-MEP-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 20, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Medford Place, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Medford Place, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Medford Place dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
October 20, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**MEDFORD PLACE**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-MEP-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$83.34	\$84.09
Adjusted reimbursement rate	<u>82.72</u>	<u>83.47</u>
Decrease in reimbursement rate	\$ <u>.62</u>	\$ <u>.62</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**MEDFORD PLACE**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-MEP-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.14	\$46.64	
Dietary		8.27	9.93	
Laundry/Housekeeping/Maint.		<u>6.81</u>	<u>8.11</u>	
Subtotal	<u>\$4.53</u>	53.22	64.68	\$53.22
Administration & Med. Rec.	<u>\$4.72</u>	<u>6.18</u>	<u>10.90</u>	<u>6.18</u>
Subtotal		59.40	<u>\$75.58</u>	59.40
<u>Costs Not Subject to Standards:</u>				
Utilities		4.88		4.88
Special Services		-		-
Medical Supplies & Oxygen		4.70		4.70
Taxes and Insurance		1.73		1.73
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$70.71</u>		70.71
Inflation Factor (3.60%)				2.55
Cost of Capital				7.46
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.47
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.25)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$82.72</u>

**MEDFORD PLACE**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period December 1, 1998 Through September 30, 1999  
AC# 3-MEP-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.14	\$46.64	
Dietary		8.27	9.93	
Laundry/Housekeeping/Maint.		<u>6.81</u>	<u>8.11</u>	
Subtotal	\$ <u>4.53</u>	53.22	64.68	\$53.22
Administration & Med. Rec.	\$ <u>4.72</u>	<u>6.18</u>	<u>10.90</u>	<u>6.18</u>
Subtotal		59.40	\$ <u>75.58</u>	59.40
<u>Costs Not Subject to Standards:</u>				
Utilities		4.88		4.88
Special Services		-		-
Medical Supplies & Oxygen		4.70		4.70
Taxes and Insurance		1.73		1.73
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>70.71</u>		70.71
Inflation Factor (3.60%)				2.55
Cost of Capital				7.46
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.47
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.25)
Minimum Wage and CNA Add-Ons				<u>1.00</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>83.47</u>



**MEDFORD PLACE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-MEP-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,210,285	\$ -	\$ 7,183 (2) 446 (2)	\$1,202,656
Dietary	267,726	-	5,018 (1) 1,888 (2)	260,820
Laundry	41,455	-	-	41,455
Housekeeping	107,844	-	665 (2)	107,179
Maintenance	66,303	-	178 (2)	66,125
Administration & Medical Records	195,442	-	510 (2)	194,932
Utilities	153,827	-	-	153,827
Special Services	-	-	-	-
Medical Supplies & Oxygen	148,094	-	-	148,094
Taxes & Insurance	54,525	-	-	54,525
Legal Fees	-	-	-	-
Cost of Capital	237,905	1,147 (3)	1,387 (1) <u>2,449 (4)</u>	235,216
Subtotal	2,483,406	1,147	19,724	2,464,829

**MEDFORD PLACE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-MEP-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u> <u>Credit</u>		<u>Adjusted Totals</u>
Ancillary	45,597	-	-	45,597
Non-Allowable	905,194	10,870 (2)	1,147 (3)	917,366
	<u>                    </u>	<u>2,449</u> (4)	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$3,434,197</u>	<u>\$14,466</u>	<u>\$20,871</u>	<u>\$3,427,792</u>
TOTAL BEDS <u>88</u>		TOTAL PATIENT DAYS <u>31,530</u>		

**MEDFORD PLACE**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-MEP-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$67,403	
	Other Equity	8,263	
	Cost of Capital		\$ 1,387
	Fixed Assets		69,261
	Dietary		5,018
	To adjust fixed assets and related depreciation expense to allowable State Plan, Attachment 4.19D		
2	Nonallowable	10,870	
	Nursing		7,183
	Restorative		446
	Dietary		1,888
	Housekeeping		665
	Maintenance		178
	Administration		510
	To adjust other employee benefits and related allocation to allowable HIM-15-1, Section 2304		
3	Cost of Capital	1,147	
	Nonallowable		1,147
	To adjust depreciation expense to comply with the capital cost policy State Plan, Attachment 4.19D		
4	Nonallowable	2,449	
	Cost of Capital		2,449
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$90,132</u>	<u>\$90,132</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**MEDFORD PLACE**  
Cost of Capital Reimbursement Analysis  
Cost Report Period Ended September 30, 1997  
AC# 3-MEP-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	303,734
Accumulated Depreciation at 9/30/97	<u>(599,725)</u>
Deemed Depreciated Value	2,702,081
Market Rate of Return	<u>0.067</u>
Total Annual Return	181,039
Return Applicable to Non-Reimbursable Cost Centers	(17,684)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	163,355
Depreciation Expense	81,359
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(9,498)</u>
Allowable Cost of Capital Expense	235,216
Total Patient Days (Minimum 97% Occupancy)	<u>31,530</u>
Cost of Capital Per Diem	\$ <u><u>7.46</u></u>